







Summary

In February 2022, Department of Pesticide Regulation (DPR) contracted with Crowe LLP (Crowe) to conduct a study on the mill assessment, engage and consult DPR stakeholders throughout the various stages of the study, and issue a final report outlining proposed mill options by June 2023. As part of the study, Crowe developed the following update to report findings from the first project milestone. In order to provide DPR with a detailed plan including mechanisms to implement the options recommended as a result of the study, Crowe is examining six (6) study objectives as outlined in **Exhibit 1**.

Exhibit 1 Mill Fee Study Objectives

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|  | Examine current and future funding needs for DPR while also considering the County Agricultural Commissioners (CAC) funding associated with mill-related responsibilities. |
|  | Examine existing structure and rate of the mill assessment. |
|  | Examine current and future revenues produced by that structure and rate. |
|  | Examine detailed options that incentivize the use of safer sustainable pest management practices across the state of California. |
|  | Examine options to incentivize the use of safer pest management tools, as well as evaluating for linking how revenues are collected to the broader mission of DPR. |
|  | Examine long-term sustainable funding that allows DPR to continue to fulfill its mission. |

As of May 2022, Crowe completed the first project milestone, which included initial interviews with DPR Subject Matter Experts (SMEs) and stakeholders, as well as DPR program research. The outcomes of these tasks, displayed in **Exhibit 2**, resulted in the development of the Mill Fee Study guiding principles, which will support the remaining project milestones.

Exhibit 2 Mill Fee Study Initial Interviews and Program Research Outcomes

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|  | DPR SME Interviews |  | DPR Program Research |
|  | Stakeholder Interviews |  | Mill Fee Guiding Principles |

DPR SME Interviews

Crowe conducted 12 initial interviews with DPR SMEs across 8 program branches and 3 support branches. Through these initial interviews with DPR SMEs, Crowe gained a comprehensive understanding of DPR's various branches and offices to better understand its potential existing and future priorities and needs.

Stakeholder Interviews

In addition, Crowe conducted 15 initial interviews with the stakeholders listed below. The objective of the interviews was to obtain their perspective on how to appropriately update the existing mill fee to meet DPR's ongoing and long-term needs. During the interviews, Crowe asked the stakeholders a series of five (5) questions to guide the discussion:

1. *What are your organization's emerging priorities?*
2. *How could a change in DPR's mill fee and/or mill structure impact your organization and/or its members?*
3. *What criteria should DPR consider when developing options for an updated mill fee rate and/or structure?*
4. *What does safer and sustainable pest management mean to you?*
5. *How should DPR and its partners incentivize safer and sustainable pest management practices?*

The stakeholder engagement interviews involved the following entities. Starting in July 2022, Crowe plans to interview a broader array of stakeholders as part of upcoming project milestones.

- Agricultural Council of California
- American Chemistry Council (ACC)
- California Association of Pest Control Advisors (CAPCA)
- California Department of Food and Agriculture (CDFA)
- California Farm Bureau Federation (CFBF)
- Californians for Pesticide Reform (CPR)
- California Institute of Biodiversity (CIB)
- Community Alliance of Family Farmers (CAFF)
- County Agricultural Commissioners (CACs)
- Household and Commercial Products Association (HCPA)
- Mosquito and Vector Control Association of California (MVCAC)
- National Resources Defense Council (NRDC)
- Pesticide Action Network North America (PANNA)
- Western Plant Health Association (WPH)

Crowe's initial interviews with a sample of stakeholders helped identify their perspectives on how to appropriately update the existing mill assessment. Throughout the interviews, the various stakeholder groups expressed the following:

- **Recognition that DPR needs adequate funding.** Most stakeholders across different stakeholder groups recognized that DPR must have a sustainable, long-term funding source.
- **California is already heavily regulated.** Numerous stakeholders expressed that California already heavily regulates pesticides compared to other states within the U.S.
- **Farmers and other pesticide groups need a large enough toolbox.** Farmers and other pesticide stakeholders remain concerned that an increase or change in the mill would decrease the affordability and/or availability of certain pesticide products.
- **Focus on integrated pest management as part of the solution.** Most stakeholders expressed varying perspectives on what integrated pest management (IPM) means. At the same time, most stakeholders identified integrated pest management as an essential piece to the future of pest management, but DPR and its partners need to invest more in supporting the transition to IPM practices.

- **More education on DPR's activities and pesticide use.** Many stakeholders implored DPR to increase their public education efforts to ensure clarity about DPR's activities and to provide education on the use of pesticides.
- **Role of the General Fund.** Several stakeholders from various groups expressed the General Fund should play a role in financing DPR's various programs and projects, but understood the General Fund may not be a sustainable long-term funding source.
- **More partnership, collaboration, and communication across groups.** All stakeholders communicated that DPR should continue to work with partners to collaborate and communicate across groups.

Program Research



Crowe performed comprehensive research to understand key programmatic elements that will inform and support this study on the mill assessment. Crowe reviewed historical and current pesticides sales and usage data as well as potential evaluation criteria regarding pesticide risks and safety. Crowe conducted a broad range of program research activities including, but not limited to:

- Identifying current and emerging departmental priorities
- Examining trends in pesticide sales and usage for agricultural and non-agricultural pesticide-related products.
- Examining mill assessment revenue generated from sales on agricultural and non-agricultural pesticide products.
- Evaluating possible criteria that reflect potential human health and environmental impacts of pesticides.

Proposed Guiding Principles

Crowe developed proposed Mill Fee Study guiding principles resulting from our initial interviews and program research. Crowe's proposed guiding principles provide a foundation for the remaining Mill Fee Study tasks. These principles, outlined in **Exhibit 3**, will continue to be refined in the remaining project milestones as a framework and set of values to help guide the overall Mill Fee Study.

Exhibit 3
Mill Fee Study – Proposed Guiding Principles

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|  | <p>Provide a sustainable long-term funding source for the Department</p> |  | <p>Incentivize safer pest management practices</p> |
|  | <p>Align with the Department's mission, emerging priorities, and legal requirements</p> |  | <p>Support alignment of the Department's workload activities, including CACs, with appropriate funding sources</p> |
|  | <p>Support the availability of tools to address the diverse pest management needs in the State</p> |  | <p>Incorporate objective measures</p> |
|  | <p>Minimize the potential for unintended consequences</p> |  | <p>Foster transparency</p> |
|  | <p>Minimize administrative burden</p> |  | <p>Allow for re-evaluation and refinement</p> |

Crowe will use these principles as a framework and set of values to help guide the overall Mill Fee Study. Below Crowe provides supplementary explanations related to each guiding principle as it moves forward into the next set of project tasks:

- 1. Provide a sustainable long-term funding source for the Department.** DPR is seeking a sustainable long-term funding mechanism that allows it to continue to fulfill its mission and effectively address its expanding workload responsibilities. The additional unfunded demands and mandates have challenged DPR's ability to effectively carry out its core mission.
- 2. Incentivize safer and sustainable pest management practices.** As California continues to move towards safer and sustainable pest management practices, DPR must continue to support and align with this transition through initiatives, activities, and funding. This guiding principle remains consistent with the State's directive.
- 3. Align with the Department's mission, emerging priorities, and legal requirements.** The Mill Fee Study recommendations must align with DPR's mission, emerging priorities, and legal requirements. DPR's responsibilities begin with pesticide product evaluation and registration and continues through statewide licensing, evaluation of health and environmental impacts, environmental monitoring, field enforcement of pesticide use laws and regulations, and encouraging development and adoption of least-toxic pest management practices.
- 4. Support alignment of the Department's workload activities, including CACs, with appropriate funding sources.** It will be important to align any changes in the mill fee and/or DPR's funding structure in a way that supports the Department's current and future workload activities, as well as the CACs' apportionment of funding. In the next project milestones, Crowe intends to conduct a comprehensive workload analysis of both DPR and CACs' current and emerging workload and resources.

5. **Ensure the availability of tools to address the diverse pest management needs in the State.** It is crucial to consider how the mill assessment may affect the availability of effective tools to address California’s diverse pest management needs. Crowe and DPR will support a balance of tools and alternatives are available to effectively address our state’s diverse pest management needs.
6. **Incorporate objective measures.** Criteria leveraged to determine the mill amount(s) must reflect clarity, science, and objectivity. Incorporating objective measures is critical to instilling confidence the Mill Fee Study recommendations were prepared through logic and data-backed evidence.
7. **Minimize the potential for unintended consequences.** A fundamental aspect of policy development is that the policy results in the intended purpose. As part of Crowe’s identification and evaluation of alternative options, it is important to anticipate and understand the full spectrum of potential intended and unintended consequences.
8. **Foster Transparency.** Transparency is important throughout the Mill Fee Study process and for proposed mill assessment approaches. As community interest in pesticide use has grown in recent years, DPR will continue taking noticeable steps towards greater transparency and communication to explain the work that the Department performs.
9. **Minimize administrative burden.** Minimizing administrative burdens is an important factor for developing and evaluating alternatives to the current mill. Crowe will use this guiding principle to help navigate the feasibility, resource demands, and explore areas for greater efficiency and synergies when developing and evaluating alternatives.
10. **Allow for reevaluation and refinement.** Continual reevaluation and refinement are important to maintain the sustainability as well as longevity of DPR’s future revenue stream.

Next Steps

As a next step, Crowe has initiated work on the next project milestones, which include stakeholder consultation sessions and the development of mill assessment proposals. The results from the Summer-to-Fall 2022 milestones will inform the remaining milestones, displayed in **Exhibit 4**. Upon the completion of all project milestones, Crowe will deliver a final report summarizing the study’s recommendations, including a plan to support the implementation of recommended mill assessment options.

Exhibit 4 Mill Fee Study – Project Milestones

